

**RICH COUNTY SCHOOL DISTRICT**  
**AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2006**

RICH COUNTY SCHOOL DISTRICT

Audit Report

Fiscal Year Ending June 30, 2006

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## Independent Auditor's Report

Board of Education  
Rich County School District  
Randolph, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rich County School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rich County School District as of June 30, 2006 and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, as of June 30, 2006.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and analysis on pages 3 through 6 is not a required part of the basic financial statement but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.



Steve Johnstun & Associates  
Certified Public Accountant  
October 1, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rich County School District, we offer readers of the District financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District financial statements, which follow this section.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District basic financial statements. The District basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 7 through 13 of this report.

### Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *special revenue funds*, *debt service funds*, and *capital project funds*, all of which are considered to be major funds. Data from the two special revenue funds are combined into a single aggregated presentation.

The District maintains and adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 7 to 13 of this report.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The district uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 13 of this report.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15 to 25 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities at June 30, 2006 by \$4,876,747. At June 30, 2005 assets exceeded liabilities by \$4,340,869.

The largest portion of the District's net assets reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets represent resources that are subjected to external restrictions on how they may be used. The remainder of net assets may be used to meet the District's ongoing obligations to students, employees and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- Post Employment Healthcare Benefit Obligation

The District provides healthcare benefits for eligible retired employees. This benefit is recorded as an expenditure as healthcare premiums are paid. Certain employees who elect to retire early under the District early retirement program receive healthcare benefits up to five years. The District has an obligation for early retirees during the next five years of \$114,876.

As of June 30, 2006, the District is able to report positive balances in two categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

### Financial Analysis of the District Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget.

The *general fund* is the chief operating fund of the District. At June 30, 2006, unreserved and undesignated fund balance was \$1,271,666 while the total fund balance was \$1,671,714. The unreserved and undesignated fund balance increased by \$77,727. Annual expenditures in the general fund were \$28,127 less than the final budgeted

amounts. At June 30, 2005, unreserved and undesignated fund balance was \$1,093,939 while the total fund balance was \$1,592,061. The unreserved and undesignated fund balance decreased by \$102,443. Annual expenditures in the general fund were \$73,400 less than the final budgeted amounts.

The *capital projects fund* has a total fund balance of \$1,108,868, all of which is restricted for acquisition of capital assets and related expenditures. The fund balance increased by \$85,461 during the fiscal year. At June 30, 2005 the fund balance was \$1,023,408.

The *debt service fund* has a total fund balance of \$65,771, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance decreased by \$41,363 during the fiscal year. At June 30, 2005 the fund balance was \$24,407.

The *non K-12 programs special revenue fund* has a total fund balance of \$139,541. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs. At June 30, 2005 the fund balance was \$106,194.

The *school lunch special revenue fund* has a total fund balance of \$925. This balance is within the total allowed by state guidelines and is restricted to food service programs. At June 30, 2005 the fund balance was \$11,584.

#### **Debt Administration**

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 was \$12,551,388 while the general obligation debt at that date was \$4,585,000 resulting in a legal debt margin of \$7,966,388. The legal debt margin at June 30, 2005 was \$6,895,085.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

#### **Requests for Information**

This financial report is designed to provide a general overview of Rich County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Rich County School District, 140 West Park, Randolph Utah, 84064. Phone number (435) 793-2135



**RICH SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Year Ended June 30, 2006**

|   | <b><u>Governmental<br/>Activities</u></b> |
|---|---|
| <b>Assets:</b>  |   |
| Cash and investments                                  | \$ 3,343,376                              |
| Receivables:  |   |
| Other governments                                     | 84,713                                    |
| Other   | 3,611                                     |
| Capital assets:                                       |   |
| Land  | 97,060                                    |
| Other capital assets, net of accumulated depreciation | <u>6,772,654</u>                          |
| Total assets  | <u>10,301,414</u>                         |
| <b>Liabilities:</b>                                   |   |
| Accounts payable                                      | 57,142                                    |
| Accrued interest                                      | 7,894                                     |
| Accrued liabilities                                   | 79,809                                    |
| Accrued salaries                                      | 199,479                                   |
| Deferred revenue:                                     |   |
| Property taxes  | 108,451                                   |
| Noncurrent liabilities:                               |   |
| Due within one year                                   | 86,468                                    |
| Due in more than one year                             | <u>4,885,424</u>                          |
| Total liabilities                                     | <u>5,424,667</u>                          |
| <b>Net Assets:</b>                                    |   |
| Invested in capital assets, net of related debt       | 2,284,714                                 |
| Restricted for:                                       |   |
| School lunch  | 925                                       |
| Non K-12 programs                                     | 139,541                                   |
| Debt service  | 57,877                                    |
| Capital projects                                      | 1,108,868                                 |
| Unrestricted  | <u>1,284,822</u>                          |
| Total net assets                                      | <u>4,876,747</u>                          |

See accompanying notes to the financial statements

**RICH SCHOOL DISTRICT**  
Statement of Activities  
Year Ended June 30, 2006

| Functions                               | Expenses  | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|-----------|-------------------------|--|--|--|
|   |           | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <b>Governmental activities:</b>         |           |                         |  |  |  |
| Instructional services                  | 3,287,830 | -                       | 840,074                                  | -                                      | (2,447,756)  |
| <b>Supporting services:</b>             |           |                         |  |  |  |
| Students                                | 74,567    | -                       | -  | -                                      | (74,567)   |
| Instructional staff                     | 64,495    | -                       | -  | -                                      | (64,495)   |
| District administration                 | 255,750   | -                       | -  | -                                      | (255,750)  |
| School administration                   | 310,402   | -                       | -  | -                                      | (310,402)  |
| Business                                | 101,028   | -                       | -  | -                                      | (101,028)  |
| Operation and maintenance of facilities | 496,872   | -                       | -  | -                                      | (496,872)  |
| Transportation                          | 343,503   | -                       | -  | -                                      | (343,503)  |
| School lunch services                   | 107,897   | 72,579                  | 141,168                                  | -                                      | 105,850  |
| Interest on long-term liabilities       | 216,522   | -                       | -  | -                                      | (216,522)  |
| Total school district                   | 5,258,866 | 72,579                  | 981,242                                  | -                                      | (4,205,045)  |

**General revenues:**

Property taxes levied for:

General purposes

Recreation

Debt service

Capital outlay

Federal and state aid not restricted to specific purposes

Earnings on investments

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

1,485,655  
99,102  
325,558  
368,154  
2,231,118  
135,323  
130,680  
4,775,590  
570,545  
4,306,201  
4,876,746

See accompanying notes to the financial statements

**RICH SCHOOL DISTRICT**

**Balance Sheet**

**Governmental Funds**

**Year Ended June 30, 2006**

|  | <u>Major Funds</u> |                                   | <u>Other</u>                        | <u>Total</u>                        |
|--|--------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|  | <u>General</u>     | <u>Capital</u><br><u>Projects</u> | <u>Governmental</u><br><u>Funds</u> | <u>Governmental</u><br><u>Funds</u> |
| <b>Assets:</b>                         |                    |                                   |                                     |                                     |
| Cash and investments                   | 1,978,207          | 1,151,728                         | 213,441                             | 3,343,376                           |
| Receivables:                           |                    |                                   |                                     |                                     |
| Other Governments                      | 78,132             | -                                 | 6,581                               | 84,713                              |
| Other Receivables                      | -                  | -                                 | 3,611                               | 3,611                               |
| Due from other funds                   | -                  | -                                 | -                                   | -                                   |
| Advances to other funds                | -                  | -                                 | -                                   | -                                   |
| Total assets                           | <u>2,056,339</u>   | <u>1,151,728</u>                  | <u>223,633</u>                      | <u>3,431,700</u>                    |
| <b>Liabilities and fund balances:</b>  |                    |                                   |                                     |                                     |
| Liabilities:                           |                    |                                   |                                     |                                     |
| Accounts payable                       | 14,282             | 42,860                            | -                                   | 57,142                              |
| Accrued payroll                        | 182,083            | -                                 | 17,396                              | 199,479                             |
| Accrued liabilities                    | 79,809             | -                                 | -                                   | 79,809                              |
| Deferred revenue                       | 108,451            | -                                 | -                                   | 108,451                             |
| Total liabilities                      | <u>384,625</u>     | <u>42,860</u>                     | <u>17,396</u>                       | <u>444,881</u>                      |
| <b>Fund Balances:</b>                  |                    |                                   |                                     |                                     |
| Designated                             | 400,048            | -                                 | -                                   | 400,048                             |
| Undesignated                           | -                  | -                                 | 140,466                             | 140,466                             |
| Unappropriated                         | 1,271,666          | 1,108,868                         | 65,771                              | 2,446,305                           |
| Total fund balances                    | <u>1,671,714</u>   | <u>1,108,868</u>                  | <u>206,237</u>                      | <u>2,986,819</u>                    |
| Total liabilities and fund<br>balances | <u>2,056,339</u>   | <u>1,151,728</u>                  | <u>223,633</u>                      | <u>3,431,700</u>                    |

See accompanying notes to the financial statements

**RICH SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**Year Ended June 30, 2006**

**Total fund balances for governmental funds** 2,986,819

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

|   |           |           |
|---|-----------|-----------|
| Land  | 97,060    |           |
| Buildings and improvements, net of \$3,665,749 accumulated depreciation | 6,387,780 |           |
| Furniture and equipment, net of \$1,001,663 accumulated depreciation    | 384,874   | 6,869,714 |

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$7,894. (7,894)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities both current and long-term - are reported in the Statement of Net Assets.

|  |             |                  |
|--|-------------|------------------|
| Bonds payable                                      | (4,585,000) |                  |
| Accrued vacation                                   | (154,140)   |                  |
| Early retirement payable                           | (232,752)   | (4,971,892)      |
| <b>Total net assets of governmental activities</b> |             | <b>4,876,747</b> |

See accompanying notes to the financial statements

**RICH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

|   | <b><u>Major Funds</u></b> |                                | <b><u>Other</u></b>              | <b><u>Total</u></b>              |
|---|---------------------------|--------------------------------|----------------------------------|----------------------------------|
|   | <b><u>General</u></b>     | <b><u>Capital Projects</u></b> | <b><u>Governmental Funds</u></b> | <b><u>Governmental Funds</u></b> |
| <b>Revenues:</b>  |                           |                                |                                  |                                  |
| Property taxes  | 1,118,901                 | 550,709                        | 608,859                          | 2,278,469                        |
| Earnings on investments                                   | 67,021                    | 66,981                         | 1,321                            | 135,323                          |
| Lunch Sales   | -                         | -                              | 72,579                           | 72,579                           |
| Other local   | 91,134                    | 2,752                          | 36,794                           | 130,680                          |
| State aid   | 2,828,930                 | -                              | 44,961                           | 2,873,891                        |
| Federal aid   | 218,412                   | -                              | 120,057                          | 338,469                          |
| Total revenues  | <u>4,324,398</u>          | <u>620,442</u>                 | <u>884,571</u>                   | <u>5,829,411</u>                 |
| <b>Expenditures:</b>                                      |                           |                                |                                  |                                  |
| Current:  |                           |                                |                                  |                                  |
| Instructional services                                    | 2,570,011                 | 148,599                        | 245,077                          | 2,963,687                        |
| Supporting services:                                      |                           |                                |                                  |                                  |
| Students  | 74,567                    | -                              | -                                | 74,567                           |
| Instructional staff                                       | 140,070                   | -                              | -                                | 140,070                          |
| District administration                                   | 248,332                   | 3,561                          | -                                | 251,893                          |
| School administration                                     | 304,617                   | -                              | -                                | 304,617                          |
| Business  | 93,407                    | 3,764                          | -                                | 97,171                           |
| Operation and maintenance of facilities                   | 470,237                   | 16,993                         | -                                | 487,230                          |
| Transportation  | 343,503                   | -                              | -                                | 343,503                          |
| School lunch services                                     | -                         | -                              | 92,469                           | 92,469                           |
| Other   | -                         | -                              | -                                | -                                |
| Capital outlay  | -                         | 362,064                        | -                                | 362,064                          |
| Debt Services:  |                           |                                |                                  |                                  |
| Principal retirement                                      | -                         | -                              | 249,090                          | 249,090                          |
| Interest and fiscal charges                               | -                         | -                              | 214,930                          | 214,930                          |
| Total expenditures  | <u>4,244,744</u>          | <u>534,981</u>                 | <u>801,566</u>                   | <u>5,581,291</u>                 |
| Excess (deficiency) of revenues over (under) expenditures | <u>79,654</u>             | <u>85,461</u>                  | <u>83,005</u>                    | <u>248,120</u>                   |
| <b>Other financing sources (uses):</b>                    |                           |                                |                                  |                                  |
| Sale of Bonds   | -                         | -                              | -                                | -                                |
| Interfund Transfers                                       | -                         | -                              | -                                | -                                |
| Sale of capital assets                                    | -                         | -                              | -                                | -                                |
| Total other financing sources (uses)                      | <u>-</u>                  | <u>-</u>                       | <u>-</u>                         | <u>-</u>                         |
| Net change in fund balances                               | <u>79,654</u>             | <u>85,461</u>                  | <u>83,005</u>                    | <u>248,120</u>                   |
| <b>Fund balances - beginning</b>                          | <u>1,592,060</u>          | <u>1,023,408</u>               | <u>142,186</u>                   | <u>2,757,654</u>                 |
| <b>Fund balances - ending</b>                             | <u>1,671,714</u>          | <u>1,108,869</u>               | <u>225,191</u>                   | <u>3,005,774</u>                 |

See accompanying notes to the financial statements

**RICH SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

**Net change in fund balances-total governmental funds** 248,120

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 for furniture and equipment and \$10,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|                                       |                      |           |
|---------------------------------------|----------------------|-----------|
| Capital outlays                       | 192,200              |           |
| Loss on disposal of capital assets    | -                    |           |
| Proceeds from sales of capital assets | -                    |           |
| <br>Depreciation expense              | <br><u>(192,849)</u> | <br>(649) |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

|   |                |         |
|---|----------------|---------|
| Bond Proceeds                               | -              |         |
| Repayment of bond principal                 | 249,090        |         |
| Interest expense - general obligation bonds | <u>(1,592)</u> | 247,498 |

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year. -

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation increased by \$351 and early retirement decreased by a total of \$75926. 75,576

**Change in net assets of governmental activities** 570,545

RICH SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Agency Fund  
Year Ended June 30, 2006

|                             | <u>Student<br/>Activities<br/>Fund</u> |
|-----------------------------|--|
| <b>Assets:</b>              |  |
| Cash and investments        | <u>52,086</u>                          |
| <b>Liabilities</b>          |  |
| Due to student organization | <u>52,086</u>                          |
| Total liabilities           | <u>52,086</u>                          |

See accompanying notes to the financial statements

## Notes to the Financial Statements



RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies

The financial statements of the Rich School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

(a) The District Entity

The Board of Education, comprised of five elected individuals, is the governing authority for the School District. The Board establishes District policies, approves the budget, elects a superintendent with responsibilities for administering all educational activities of the School District, and elects a Clerk-Treasurer with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, to levy ad valorem taxes, and is not dependent on any other unit of local government. All funds, including all financial activities over which the Board has governance, are included in the report. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Districts reporting Entity.

(b) Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives values without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

(c) Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government (the District). These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

## RICH COUNTY SCHOOL DISTRICT

### Notes to Financial Statements

Year Ended June 30, 2006

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include:

- 1) Fees and charges paid by students and other recipients of goods or services offered by a given function.
- 2) Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

#### (h) Description of Funds and Account Groups

The District accounts for its financial operations in the following funds:

##### Governmental Fund Types

**General Fund** – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

**Capital Project Fund** – The Capital Project fund is used to account for all resources for the acquisition of capital facilities by the District.

**Nonmajor Funds** – These funds account for programs supported by a separate tax levy, education programs exclusive of the traditional kindergarten through twelfth grade, and school lunch program which is partially supported by user charges administered by the District.

##### Fiduciary Fund Type

**Trust and Agency Funds** – Trust and Agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individual student groups, other governments, and/or for other funds.

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

(e) Budget Operation

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the State Superintendent of Public Instruction. The financial reports reflect the following budgetary standards:

1. For the fiscal year beginning July 1, the Clerk-Treasurer prepares a tentative budget which is presented to the Board of Education by the Superintendent on or before the preceding June 1.
2. By resolution, the Board of Education legally adopts the final budget prior to June 30, after a public hearing has been held.
3. Once adopted, the budget can be amended by subsequent Board action. Reductions in, or reallocations of appropriations can be approved by the Board upon recommendation of the Superintendent, but increased appropriations require a public hearing prior to amending the budget.
4. Interim adjustments in estimated revenue and appropriations during fiscal year 2006 have been included in the final budget approved by the Board, as presented in the financial statements.
5. As determined by the State Superintendent of Public Instruction, the level for which expenditures may not legally exceed appropriations is the total budget of a given fund.
6. Budgets for the Maintenance and Operation (General) Fund, the Special Revenue Fund, the Debt Service Fund, the Capital Project Funds are prepared on a budgetary basis of accounting. Property tax revenue from an authorized Capital Outlay and Debt Service levy is allocated to the Debt Service Fund to match current expenditures of that fund.

(h) Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$500 for furniture and equipment and \$10,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

**RICH COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements**

**Year Ended June 30, 2006**

| <u>Assets</u>                                  | <u>Years</u> |
|--|--------------|
| Buildings                                      | 40           |
| Buildings improvements and portable classrooms | 20           |
| Maintenance equipment                          | 15           |
| Vocational education equipment                 | 15           |
| Buses  | 10           |
| Musical instruments                            | 10           |
| Furniture                                      | 10           |
| Office equipment                               | 10           |
| Athletic equipment                             | 8            |
| Vehicles                                       | 8            |
| Audio visual equipment                         | 6            |
| Computer equipment                             | 3            |

(g) **Compensated Absences**

Employees are allowed to accrue ten (10) days of sick leave each year to a maximum accrual of 120 days. Employees who qualify will be paid 50% of their accrued sick leave at their salary rate in effect at retirement. The accrued liability for the District at June 30, 2006 is \$154,140.

(h) **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

(i) **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the policy of the District to use restricted net assets first.

*Government Wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

(j) Comparative Data

Comparative data for the prior years has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

(k) Property Tax Calendar

Property taxes are attached as an enforceable lien of property as of January 1. Taxes are levied in June for the next fiscal year beginning July 1 and are due November 30. Property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year.

(2) Cash and Cash Equivalents and Investments

Cash includes currency on hand and demand deposits with banks or other financial institutions. Demand deposits include accounts where the District may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository". The act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

At June 30, 2006 the carrying amount of the district's deposits were \$3,343,376 of which \$2,719,000 was deposited in the Utah State Treasurer's Investment pool. The bank balance was \$869,734 of which \$100,000 was covered by Federal Depository Insurance. The remaining bank balance of \$769,734 and the amount deposited in the Utah State Treasurer's Investment Pool was uncollateralized or collaterailized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits

*Custodial credit risk* – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$769,734 of the District's bank balance of \$869,734 was uninsured and uncollateralized.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

*Credit risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurers Investment Fund has no concentration of credit risk.

*Custodial credit risk (investments)* – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurers Investment Fund has no custodial credit risk.

(3) Investments

None

(4) Accounts Receivable

Receivables as of June 30, 2006 are as follows:

|                               | General       | Special Revenue |               |
|-------------------------------|---------------|-----------------|---------------|
|                               | <u>Fund</u>   | <u>Fund</u>     | <u>Total</u>  |
| Intergovernmental             | 78,132        | 6,581           | 84,713        |
| School Patrons – Food Service | <u>0</u>      | <u>3,611</u>    | <u>3,611</u>  |
| Total Receivables             | <u>78,132</u> | <u>10,192</u>   | <u>88,324</u> |

No allowance for uncollectible accounts has been recorded because the amount of receivables other than intergovernmental is not material to the financial statements as a whole.

(5) Retirement System

The Rich County School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary, (5.00% of which is paid by the employer for the employee) and the District is required to contribute a 9.19% of their annual covered salary. In the State and School Noncontributory Retirement System the District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Rich County School District contributions to the State and School noncontributory retirement system the contributions for June 30, 2006, 2005, and 2004 were \$301,215, \$311,290 and \$253,131 respectively. The contributions were equal to the required contributions for each year.

The Rich County School District does not participate in the Utah Retirement Systems 457 Deferred Compensation Plan.

**RICH COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements**

**Year Ended June 30, 2006**

**(6) Capital Assets**

Capital asset activity for the year ended June 30, 2006 is as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <b>Governmental activities:</b>              |                              |                  |                  |                           |
| Capital assets, not being depreciated        |                              |                  |                  |                           |
| Land   | 97,060                       | -                | -                | 97,060                    |
| Total capital assets, not being depreciated  | 97,060                       | -                | -                | 97,060                    |
| Capital assets, being depreciated:           |                              |                  |                  |                           |
| Buildings and improvements                   | 10,453,916                   | -                | -                | 10,453,916                |
| Furniture and equipment                      | 1,533,173                    | 192,200          | 31,000           | 1,694,373                 |
| Total capital assets, being depreciated      | 11,987,089                   | 192,200          | 31,000           | 12,148,289                |
| Accumulated depreciation for:                |                              |                  |                  |                           |
| Buildings and improvements                   | 3,938,771                    | 127,365          | -                | 4,066,136                 |
| Furniture and equipment                      | 1,275,015                    | 65,484           | 31,000           | 1,309,499                 |
| Total accumulated depreciation               | 5,213,786                    | 192,849          | 31,000           | 5,375,635                 |
| Total capital assets, being depreciated, net | 6,773,303                    | (649)            | -                | 6,772,654                 |
| Governmental activities capital assets, net  | 6,870,363                    | (649)            | -                | 6,869,714                 |

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

|   |            |
|---|------------|
| <b>Governmental activities:</b>                     |            |
| Instructional services                              | \$ 154,279 |
| Supporting services:                                |            |
| District administration                             | 3,857      |
| School administration                               | 5,785      |
| Business  | 3,857      |
| Operation and maintenance of facilities             | 9,642      |
| Transportation                                      | -          |
| School lunch services                               | 15,428     |
| Total depreciation expense, governmental activities | 192,848    |



# RICH COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2006

### (7) Long-Term Debt

The Long-term liability activity for the year ended June 30, 2006 is as follows:

|                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b> |                              |                  |                   |                           |                                |
| Bonds payable:                  |                              |                  |                   |                           |                                |
| General obligation bonds        | 4,765,000                    | -                | 180,000           | 4,585,000                 | -                              |
| Lift Lease Principle            | 69,091                       | -                | 69,091            | -                         | -                              |
| Total bonds payable             | 4,834,091                    | -                | 249,091           | 4,585,000                 | -                              |
| Accrued compensated absences    | 153,790                      | 350              | -                 | 154,140                   | 10,790                         |
| Early retirement payable        | 308,678                      | -                | 75,926            | 232,752                   | 75,678                         |
| Total governmental activity     |                              |                  |                   |                           |                                |
| long-term liabilities           | <u>\$ 5,296,559</u>          | <u>\$ 350</u>    | <u>\$ 325,017</u> | <u>\$ 4,971,892</u>       | <u>\$ 86,468</u>               |

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. Vacation and early retirement benefits will be paid by the fund in which the employee works(ed).

The annual requirements to retire general long-term debt as of June 30, 2006 are as follows

| <u>Fiscal<br/>Year<br/>Ending</u> | <u>Principle</u> | <u>Interest</u>  | <u>Fiscal<br/>Year<br/>Total</u> |
|-----------------------------------|------------------|------------------|----------------------------------|
| 2007                              | 200,000          | 189,445          | 389,445                          |
| 2008                              | 210,000          | 181,245          | 391,245                          |
| 2009                              | 215,000          | 173,283          | 388,283                          |
| 2010                              | 225,000          | 165,583          | 390,583                          |
| 2011                              | 235,000          | 156,945          | 391,945                          |
| 2012                              | 200,000          | 152,245          | 352,245                          |
| 2013                              | 245,000          | 144,995          | 389,995                          |
| 2014                              | 255,000          | 135,808          | 390,808                          |
| 2015                              | 270,000          | 125,608          | 395,608                          |
| 2016                              | 275,000          | 114,133          | 389,133                          |
| 2017                              | 285,000          | 102,445          | 387,445                          |
| 2018                              | 295,000          | 89,620           | 384,620                          |
| 2019                              | 305,000          | 77,820           | 382,820                          |
| 2020                              | 320,000          | 65,620           | 385,620                          |
| 2021                              | 335,000          | 52,500           | 387,500                          |
| 2022                              | 350,000          | 35,750           | 385,750                          |
| 2023                              | 365,000          | 18,250           | 383,250                          |
| Total                             | <u>4,585,000</u> | <u>1,981,295</u> | <u>6,566,295</u>                 |

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

(8) Early Retirement Incentive Program

Eligibility under the program is not restricted by age but solely by years of service in Rich School District. This program is independent of the Utah State Retirement System.

Eligibility is restricted to those employees with ten or more years of service in the district and who qualify under the state retirement systems for benefits. Except any employee who has been placed on probation or notified of suspension or termination of contract in the year of application for early retirement. An eligible employee may participate for a maximum of five years, or until the employee becomes eligible to receive unreduced old age insurance benefits under the Social Security Act, 42 U.S.C. 401 et et seg., whichever occurs first.

Certified personnel who have qualified for benefits under the state retirement system shall receive fifty percent of the difference between the Bachelor's Lane step one and the lane and step that the employee is on at the time of early retirement.

Benefits to classified personnel are half of the difference between their present hourly salary and the beginning hourly wage for their respective positions. (Because such a wide variance exists in the difference between positions a minimum amount will be calculated by rank ordering the differences between the various positions and using the median amount as a minimum.) The accrued liability for the District at June 30, 2006 for those employees who have elected early retirement is \$232,752. The liability by year is as follows.

| <u>Year Ending</u> | <u>Amount</u>  |
|--------------------|----------------|
| June 30, 2007      | 75,678         |
| June 30, 2008      | 61,920         |
| June 30, 2009      | 61,920         |
| June 30, 2010      | <u>33,234</u>  |
| Total              | <u>232,752</u> |

RICH COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2006

(9) Reserves or Designation of Fund Equity

The District records designated fund balances to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all designated fund balances for the District.

(a) Maintenance & Operation Fund

|                              |                |
|------------------------------|----------------|
| Reading Achievement          | 36,985         |
| Trust Lands                  | 5,004          |
| Class Size Reduction         | -              |
| Interventions                | 59,827         |
| Inservice                    | 604            |
| UPASS                        | 47,821         |
| Quality Teaching Block Grant | 71,414         |
| At Risk                      | 21,057         |
| Concurrent Enrollment        | -              |
| Tort Liability               | 25,693         |
| No Child Left Behind         | 3,967          |
| Special Education            | 114,859        |
| Chapter 1                    | 6,557          |
| Comprehensive Guidance       | 1,885          |
| Drivers Education            | 2,382          |
| Vocational Education         | 735            |
| Media                        | 1,258          |
| Total                        | <u>400,048</u> |

(b) Non K-12

|                       |                |
|-----------------------|----------------|
| Recreation            | 112,836        |
| Adult Education-State | 17,618         |
| Special-Ed Pre-School | 9,088          |
| Total                 | <u>139,542</u> |

### Required Supplementary Information

**RICH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2006**

|  | <b>Budgeted Amounts</b> |                  | <b>Actual</b>    | <b>Variance with</b>  |
|--|-------------------------|------------------|------------------|-----------------------|
|  | <b>Original</b>         | <b>Final</b>     | <b>Amounts</b>   | <b>Final Budget -</b> |
|  |                         |                  |                  | <b>Positive</b>       |
|  |                         |                  |                  | <b>(Negative)</b>     |
| <b>Revenues:</b>                       |                         |                  |                  |                       |
| Property taxes                         | 917,119                 | 1,068,902        | 1,118,901        | 49,999                |
| Interest Earned                        | 33,765                  | 63,857           | 67,021           | 3,164                 |
| Other local                            | 43,910                  | 81,633           | 91,134           | 9,501                 |
| State of Utah                          | 2,783,248               | 2,847,824        | 2,828,930        | (18,894)              |
| Federal Government                     | 228,002                 | 213,052          | 218,412          | 5,360                 |
| Payments from other Districts          | -                       | -                | -                | -                     |
| <b>Total revenues</b>                  | <b>4,006,044</b>        | <b>4,275,268</b> | <b>4,324,398</b> | <b>49,130</b>         |
| <b>Expenditures:</b>                   |                         |                  |                  |                       |
| Current:                               |                         |                  |                  |                       |
| Instructional services                 | 2,469,542               | 2,594,675        | 2,570,011        | 24,664                |
| Supporting services:                   |                         |                  |                  |                       |
| Students                               | 74,933                  | 75,490           | 74,567           | 923                   |
| Instructional staff                    | 146,630                 | 145,496          | 140,070          | 5,426                 |
| District administration                | 266,390                 | 247,007          | 248,332          | (1,325)               |
| School administration                  | 302,846                 | 305,123          | 304,617          | 506                   |
| Business                               | 93,048                  | 93,407           | 93,407           | -                     |
| Plant Operation & Maintenance          | 440,426                 | 470,762          | 470,237          | 525                   |
| Transportation                         | 337,570                 | 340,911          | 343,503          | (2,592)               |
| Capital Outlay                         | -                       | -                | -                | -                     |
| <b>Total expenditures</b>              | <b>4,131,385</b>        | <b>4,272,871</b> | <b>4,244,744</b> | <b>28,127</b>         |
| Excess of revenues over expenditures   | (125,341)               | 2,397            | 79,654           | 77,257                |
| <b>Other financing sources (uses):</b> |                         |                  |                  |                       |
| Transfer out                           | -                       | -                | -                | -                     |
| <b>Net change in fund balances</b>     | <b>(125,341)</b>        | <b>2,397</b>     | <b>79,654</b>    | <b>77,257</b>         |
| <b>Fund balances - beginning</b>       | <b>1,592,060</b>        | <b>1,592,060</b> | <b>1,592,060</b> | <b>-</b>              |
| <b>Fund balances - ending</b>          | <b>1,466,719</b>        | <b>1,594,457</b> | <b>1,671,714</b> | <b>77,257</b>         |

## Supplementary Information

RICH SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2006

|                                     | <u>Special Revenue</u> |                |                 | <u>Total</u>        |
|-------------------------------------|------------------------|----------------|-----------------|---------------------|
|                                     | <u>Debt</u>            | <u>Food</u>    | <u>Non K-12</u> | <u>Nonmajor</u>     |
|                                     | <u>Service</u>         | <u>Service</u> | <u>Programs</u> | <u>Governmental</u> |
|                                     | <u>Fund</u>            |                |                 | <u>Funds</u>        |
| <b>Assets:</b>                      |                        |                |                 |                     |
| Cash and investments                | 65,771                 | 4,290          | 143,380         | 213,441             |
| Receivables:                        |                        | 6,581          |                 |                     |
| Other Receivables                   | -                      | 3,611          | -               | 3,611               |
| Due from other funds                | -                      | -              | -               | -                   |
| Total assets                        | <u>65,771</u>          | <u>14,482</u>  | <u>143,380</u>  | <u>217,052</u>      |
| <b>Liabilities:</b>                 |                        |                |                 |                     |
| Wages Payable                       | -                      | 13,557         | 3,839           | 17,396              |
| Total liabilities                   | <u>-</u>               | <u>13,557</u>  | <u>3,839</u>    | <u>17,396</u>       |
| <b>Fund balances:</b>               |                        |                |                 |                     |
| Unreserved:                         |                        |                |                 |                     |
| Designated                          | -                      | -              | -               | -                   |
| Undesignated                        | -                      | 925            | 139,541         | 140,466             |
| Unappropriated                      | 65,771                 | -              | -               | 65,771              |
| Total fund balances                 | <u>65,771</u>          | <u>925</u>     | <u>139,541</u>  | <u>206,237</u>      |
| Total liabilities and fund balances | <u>65,771</u>          | <u>14,482</u>  | <u>143,380</u>  | <u>223,633</u>      |

**RICH SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

|   | <b>Debt<br/>Service<br/>Fund</b> | <b>Special Revenue<br/>Food<br/>Service</b> | <b>Non K-12<br/>Programs</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|----------------------------------|---|------------------------------|--|
| <b>Revenues:</b>                            |                                  |   |                              |  |
| Property tax                                | 475,457                          | -   | 133,402                      | 608,859  |
| Interest Earned                             | 1,032                            | -   | 289                          | 1,321  |
| Lunch sales                                 | -                                | 72,579                                      | -                            | 72,579   |
| Other Local                                 | 29,794                           | -   | 7,000                        | 36,794   |
| State Sources                               | -                                | 24,851                                      | 20,110                       | 44,961   |
| Federal Sources                             | -                                | 116,317                                     | 3,740                        | 120,057  |
| <b>Total revenues</b>                       | <b>506,283</b>                   | <b>213,747</b>                              | <b>164,541</b>               | <b>884,571</b>                                       |
| <b>Expenditures:</b>                        |                                  |   |                              |  |
| Salaries                                    | -                                | 94,293                                      | 80,714                       | 175,007  |
| Employee Benefits                           | -                                | 49,587                                      | 20,483                       | 70,070   |
| Supplies, Materials, & Food                 | -                                | 78,621                                      | 9,612                        | 88,233   |
| Purchased Services                          | -                                | -   | 4,236                        | 4,236  |
| Equipment                                   | -                                | -   | -                            | -  |
| Other                                       | 900                              | 1,905                                       | 16,149                       | 18,954   |
| <b>Debt Service:</b>                        |                                  |   |                              |  |
| Principal retirement                        | 249,090                          | -   | -                            | 249,090  |
| Interest and fiscal charges                 | 214,930                          | -   | -                            | 214,930  |
| <b>Total expenditures</b>                   | <b>464,920</b>                   | <b>224,406</b>                              | <b>131,194</b>               | <b>820,520</b>                                       |
| <b>Excess of revenues over expenditures</b> | <b>41,363</b>                    | <b>(10,659)</b>                             | <b>33,347</b>                | <b>64,051</b>  |
| <b>Other Sources (Uses):</b>                |                                  |   |                              |  |
| Payment to refunded bond escrow agent       |                                  |   |                              |  |
| Operating Transfers In                      | -                                | -   | -                            | -  |
| <b>Total Other Financing Sources</b>        | -                                | -   | -                            | -  |
| <b>Interfund Transfers</b>                  | -                                | -   | -                            | -  |
| <b>Net change in fund balances</b>          | <b>41,363</b>                    | <b>(10,659)</b>                             | <b>33,347</b>                | <b>64,051</b>  |
| <b>Fund balances - beginning</b>            | <b>24,407</b>                    | <b>11,584</b>                               | <b>106,195</b>               | <b>142,186</b>                                       |
| <b>Fund balances - ending</b>               | <b>65,770</b>                    | <b>925</b>                                  | <b>139,542</b>               | <b>206,237</b>                                       |



**RICH SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service**  
**Nonmajor Debt Service Fund**  
**Year Ended June 30, 2006**  
**With Comparative Totals for 2005**

|  | 2006                         |                   | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2005              |
|--|------------------------------|-------------------|---|-------------------|
|  | Final<br>Budgeted<br>Amounts | Actual<br>Amounts |   | Actual<br>Amounts |
| <b>Revenues:</b>                               |                              |                   |   |                   |
| Property tax                                   | \$ 475,757                   | \$ 475,457        | \$ (300)  | \$ 482,835        |
| Interest Earned                                | 1,032                        | 1,032             | \$ -  | 774               |
| Other Local                                    |                              | 29,794            | 29,794  |                   |
| Total revenues                                 | 476,789                      | 506,283           | 29,494  | 483,609           |
| <b>Expenditures:</b>                           |                              |                   |   |                   |
| Debt Service                                   |                              |                   |   |                   |
| Principal Retirement                           | 249,090                      | 249,090           | \$ -  | 242,752           |
| Interest & Fiscal Charges                      | 214,929                      | 214,930           | \$ (1)  | 257,049           |
| Miscellaneous                                  | 950                          | 900               | 50  | 800               |
| Total expenditures                             | 464,969                      | 464,920           | (49)  | 500,601           |
| Excess of Revenue Over<br>(Under) Expenditures | 11,820                       | 41,363            | 29,543  | (16,992)          |
| <b>Other Sources (Uses):</b>                   |                              |                   |   |                   |
| Interfund Transfers                            | -                            | -                 | -   | -                 |
| Total other financing sources (uses)           | -                            | -                 | -   | -                 |
| Net change in fund balances                    | 11,820                       | 41,363            | 29,543  | (16,992)          |
| <b>Fund balance - beginning</b>                | 24,407                       | 24,407            | -   | 41,399            |
| <b>Fund balance - ending</b>                   | \$ 36,227                    | \$ 65,770         | \$ 29,543   | \$ 24,407         |

**RICH SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Food Service**  
**Nonmajor Special Revenue Fund**  
**Year Ended June 30, 2006**  
**With Comparative Totals for 2005**

|                                      | <u>2006</u>                  | <u>2005</u>       |   |                   |
|--------------------------------------|------------------------------|-------------------|---|-------------------|
|                                      | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Actual<br>Amounts |
| <b>Revenues:</b>                     |                              |                   |   |                   |
| Lunch Sales                          | 71,923                       | 72,579            | 656   | 69,910            |
| State Sources                        | 18,119                       | 24,851            | 6,732   | 22,269            |
| Federal Sources                      | 118,508                      | 116,317           | (2,191)   | 110,824           |
| Total Revenue                        | 208,550                      | 213,747           | 5,197   | 203,003           |
| <b>Expenditures:</b>                 |                              |                   |   |                   |
| Salaries                             | 94,296                       | 94,293            | 3   | 92,443            |
| Employee benefits                    | 49,587                       | 49,587            | -   | 46,146            |
| Food                                 | 78,920                       | 78,621            | 299   | 76,126            |
| Purchased services                   |                              |                   | -   |                   |
| Other                                | 1,950                        | 1,905             | 45  | 1,839             |
| Total Expenditures                   | 224,753                      | 224,406           | (347)   | 216,554           |
| <b>Other Sources (Uses):</b>         |                              |                   |   |                   |
| Interfund Transfers                  | -                            | -                 | -   | -                 |
| Total other financing sources (uses) | -                            | -                 | -   | -                 |
| Net change in fund balances          | (16,203)                     | (10,659)          | 5,544   | (13,551)          |
| <b>Fund balances - beginning</b>     | 11,584                       | 11,584            | -   | 25,135            |
| <b>Fund balances - ending</b>        | (4,619)                      | 925               | 5,544   | 11,584            |

**RICH SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Major Capital Projects Fund**  
**Year Ended June 30, 2006**  
**With Comparative Totals for 2005**

|                                      | <u>2006</u>                           |                           |   | <u>2005</u>               |
|--------------------------------------|---------------------------------------|---------------------------|---|---------------------------|
|                                      | <u>Final<br/>Budgeted<br/>Amounts</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> | <u>Actual<br/>Amounts</u> |
| <b>Revenues:</b>                     |                                       |                           |   |                           |
| Local sources:                       |                                       |                           |   |                           |
| Property taxes                       | 550,708                               | 550,709                   | 1   | 505,269                   |
| Interest Earnings                    | 63,858                                | 66,981                    | 3,123   | 52,885                    |
| Other Local                          | 2,822                                 | 2,752                     | (70)  | 40                        |
| Sale of Bonds                        | -                                     | -                         | -   | -                         |
| Total local sources                  | <u>617,388</u>                        | <u>620,442</u>            | <u>3,054</u>  | <u>558,194</u>            |
| <b>Expenditures:</b>                 |                                       |                           |   |                           |
| Instruction                          | 152,219                               | 148,599                   | 3,620   | 144,270                   |
| Support Services                     |                                       |                           |   |                           |
| General Admin                        | 3,800                                 | 3,561                     | 239   | 3,416                     |
| Business                             | 4,100                                 | 3,764                     | 336   | 4,000                     |
| Plant Operation & Maintenance        | 17,360                                | 16,993                    | 367   | 16,870                    |
| Food Service                         |                                       |                           | -   | -                         |
| Capital Outlay                       | 356,795                               | 362,064                   | (5,269)   | 3,802,191                 |
| Total expenditures                   | <u>534,274</u>                        | <u>534,981</u>            | <u>(707)</u>  | <u>3,970,747</u>          |
| Excess of Revenue Over (Under)       |                                       |                           |   |                           |
| Expenditures                         | 83,114                                | 85,461                    | 3,761   | (3,412,553)               |
| <b>Other Sources (Uses):</b>         |                                       |                           |   |                           |
| Interfund Transfers                  | -                                     | -                         | -   | -                         |
| Sale of capital assets               | -                                     | -                         | -   | -                         |
| Total other financing sources (uses) | <u>-</u>                              | <u>-</u>                  | <u>-</u>  | <u>-</u>                  |
| Net change in fund balances          | <u>83,114</u>                         | <u>85,461</u>             | <u>3,761</u>  | <u>(3,412,553)</u>        |
| <b>Fund balance - beginning</b>      | <u>1,023,408</u>                      | <u>1,023,408</u>          | <u>-</u>  | <u>4,435,961</u>          |
| <b>Fund balance - ending</b>         | <u>1,106,522</u>                      | <u>1,108,869</u>          | <u>3,761</u>  | <u>1,023,408</u>          |

**RICH SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
Non K-12 Programs  
Nonmajor Special Revenue Fund  
Year Ended June 30, 2006  
With Comparative Totals for 2005

|   | <b>2006</b>                           |                           |   | <b>2005</b>               |
|---|---------------------------------------|---------------------------|---|---------------------------|
|   | <b>Final<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> | <b>Actual<br/>Amounts</b> |
| <b>Revenues:</b>                                |                                       |                           |   |                           |
| Property taxes                                  | 133,402                               | 133,402                   | -   | 122,550                   |
| Interest  | 289                                   | 289                       | -   | 144                       |
| Other Local                                     | 7,000                                 | 7,000                     | -   | -                         |
| State Sources                                   | 20,110                                | 20,110                    | -   | 26,184                    |
| Federal sources                                 | 3,740                                 | 3,740                     | -   | 3,683                     |
| Total Revenue                                   | 164,541                               | 164,541                   | -   | 152,561                   |
| <b>Expenditures:</b>                            |                                       |                           |   |                           |
| Current:  |                                       |                           |   |                           |
| Salaries  | 80,715                                | 80,714                    | 1   | 74,657                    |
| Benefits  | 20,836                                | 20,483                    | 353   | 20,436                    |
| Supplies & Materials                            | 10,930                                | 9,612                     | 1,318   | 11,298                    |
| Purchased Services                              | 4,256                                 | 4,236                     | 20  | 4,082                     |
| Equipment                                       | -                                     | -                         | -   | -                         |
| Other   | 16,200                                | 16,149                    | 51  | 4,020                     |
| Total expenditures                              | 132,937                               | 131,194                   | 1,743   | 114,493                   |
| <b>Other Sources (Uses):</b>                    |                                       |                           |   |                           |
| Interfund Transfers                             | -                                     | -                         | -   | -                         |
| Total other financing sources (uses)            | -                                     | -                         | -   | -                         |
| Excess of Revenues Over<br>(Under) Expenditures | 31,604                                | 33,347                    | (1,743)   | 38,068                    |
| Fund balances - beginning                       | 106,194                               | 106,194                   | -   | 68,126                    |
| Fund balances - ending                          | 137,798                               | 139,541                   | (1,743)   | 106,194                   |



**Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards**

We have audited the general-purpose financial statements of Rich County School District for the year ended June 30, 2006, and have issued our report thereon dated October 1, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rich County School District's purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those procedures was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Rich County School District's financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board. However, this report is a matter of public record, and its distribution is not limited.

Steve Johnstun & Associates  
Certified Public Accountant



October 1, 2006

Board of Education  
Rich County School District  
Randolph, Utah

We have audited the general-purpose financial statements of the Rich County School District, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 1, 2006. As part of our audit we have audited the Rich County School District's Compliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or ear-marking; special test and provisions applicable to its major state assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major state assistance program from the State of Utah:

**Minimum School Program**

The School District received the following non-major grants which are not required to be audited for specific compliance requirements: (However these programs were subject to testwork as part of the audit of Rich County School District's financial statements.)

**Minimum School Lunch Program (Department of Education)  
Driver Education**

Our audit also included testwork on the School District's compliance with those general compliance requirements identified in the State Legal Compliance Audit Guide including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Rich County School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit included examining, on test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Rich County School District, Utah, complied in all material respects with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or ear-marking, reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

Steve Johnston & Associates  
Certified Public Accountants



October 1, 2006

Board of Education  
Rich County School District  
Randolph, Utah 84064

Dear Board Members:

We have completed our audit of the Rich County School District for the year ended June 30, 2006, and issued our report thereon dated October 1, 2006.

During our audit we noted that although certain funds overspent their budgets, the General Fund was under spent. Specifically, the Capital Project Fund overspent its budget by \$707, and two areas of the General Fund were overspent, however, the total spending in the General Fund was \$28,127 less than the total budgeted expenditures.

We noted that a purchase order was not being used in all required situations. We recommend either changing the policy to reflect actual procedures or enforcing the current policy as written.

Another issue brought to our attention was the need for better controls and documentation between receipts and deposits at the Rich Junior High lunch facility.

We express our appreciation for the courteous and professional assistance provided to us by the District staff during our audit.

Sincerely

Steve Johnston & Associates  
Certified Public Accountant

# RICH COUNTY SCHOOL DISTRICT



*Dale Lamborn, Superintendent*  
*Tricia Cornia, Business Administrator*  
*Marlene Wilson, Secretary*

## A RICH TRADITION

Pres. Tamalyn E. Calder.....Garden City  
Vice Pres. Ralph B. Johnson .....Randolph  
Peter C. Cornia.....Randolph  
Blair R. Francis.....Woodruff  
Burdette W. Weston.....Laketown

November 17, 2006

Steve Johnstun and Associates  
College Park Plaza, GL-2  
3590 Harrison Boulevard  
Ogden, UT 84403

Dear Mr. Johnstun,

This letter is in response to the management letter from the recent fall audit of Rich School District. Thank you for your efforts in assisting personnel in the implementation of past recommendations.

We plan to address the concern mentioned by more closely correlating the budget procedure with the expenditures incurred at the end of the year. In other areas reviewed, the following will take place: purchase order policies will be re-evaluated and followed by staff, and Rich Middle School lunch will implement better practices in receipting and depositing their funds.

We appreciate your thoroughness and the prompt and courteous manner in which you conduct the audit.

Sincerely,

Dale Lamborn  
Superintendent